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January 17, 2020

The Honorable Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia SC 29210

Re: Petition of Duke Energy Progress, LLC, Duke Energy Carolinas, LLC and Piedmont Natural Gas Company, Inc. for An Accounting Order Related to Settlement Accounting of Pension Expenses
Docket No. 2020-_____-EG

Dear Ms. Boyd:

Enclosed for filing please find the Joint Petition of Duke Energy Progress, LLC, Duke Energy Carolinas, LLC and Piedmont Natural Gas Company, Inc. for an Accounting Order.

Sincerely,

Heather Shirley Smith

Heather Shirley Smith

Enclosure

cc: Ms. Nanette Edwards, Office of Regulatory Staff (via email w/enc.)
Ms. Dawn Hipp, Office of Regulatory Staff (via email w/enc.)
Mr. Jeffrey Nelson, Office of Regulatory Staff (via email w/enc.)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2020-___-EG

In the matter of:	)	
	)	**JOINT PETITION OF DUKE**
Petition of Duke Energy Progress, LLC, Duke	)	**ENERGY PROGRESS, LLC, DUKE**
Energy Carolinas, LLC and Piedmont Natural	)	**ENERGY CAROLINAS, LLC AND**
Gas Company, Inc. for An Accounting Order	)	**PIEDMONT NATURAL GAS**
Related to Settlement Accounting of Pension	)	**COMPANY, INC. FOR AN**
Expenses	)	**ACCOUNTING ORDER**

Duke Energy Progress, LLC ("DEP"), Duke Energy Carolinas, LLC ("DEC") and Piedmont Natural Gas Company, Inc. ("Piedmont," and collectively with DEP and DEC, the "Companies") hereby respectfully petition the Public Service Commission of South Carolina (the "Commission") pursuant to S.C. Code Ann. Sections 58-3-140, 58-27-140, and 58-27-1540, S.C. Code Reg. 103-825, and other applicable rules and regulations of the Commission, to issue an accounting order for regulatory accounting purposes authorizing the Companies to record all pension plan settlement accounting impacts in regulatory asset or regulatory liability accounts and to amortize those assets or liabilities in the same manner that they would have been amortized had the settlement accounting not been triggered in 2019 ("Petition").

The request for relief set forth within this Petition does not involve a change to any of DEP's, DEC's or Piedmont's retail rates or prices or require any change in any Commission rule, regulation or policy. The accounting treatment requested by the Companies is consistent with the amounts that are already included in customers' current rates and the amounts that would have been expensed but for the pension plan settlements. The requested change simply allows the Companies to align the expenses with the revenues that are being collected from customers. To the extent pension costs need to be adjusted in the future based on updated actuarial studies, the right of any party to address the prudency of pension costs incurred by DEP, DEC or Piedmont in a future general rate case proceeding would not be prejudiced by the requested accounting treatment. Because the issuance of the requested accounting order will not prejudice the right of any party to address these issues in a subsequent general rate case proceeding, neither notice to the public at-large nor a hearing is required regarding this Petition. In support of this Petition, the Companies respectfully show the following facts and petition the Commission for the following relief:

Name and Address of the Companies

The name and addresses of the attorneys who are authorized to receive notices and communications with respect to this Petition are:

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and

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Copies of all pleadings, orders or correspondence in this proceeding should be served upon the attorneys listed above.

Description of the Companies

DEP and DEC are engaged in the generation, transmission, distribution, and sale of electric energy in North Carolina and South Carolina. DEP and DEC are corporations organized and existing under the laws of North Carolina and are authorized to transact business in the State of South Carolina. DEP and DEC also sell electricity at wholesale to municipal, cooperative and investor-owned electric utilities, and their wholesale sales are subject to the jurisdiction of the Federal Energy Regulatory Commission. DEP and DEC are public utilities under the laws of South Carolina and are subject to the jurisdiction of this Commission with respect to their operations in this State.

Piedmont is engaged in the business of transporting, distributing and selling natural gas in the states of North Carolina, South Carolina and Tennessee. Piedmont is a corporation organized and existing under the laws of North Carolina and is authorized to transact business in the State of South Carolina. Piedmont is a public utility under the laws of this State, and its public utility operations in South Carolina are subject to the jurisdiction of this Commission.

Background

The Companies maintain a regulatory asset or regulatory liability on their books that includes pension actuarial losses or gains. These losses or gains are created when the pension plan's actual experience differs from assumed experience or due to changes in assumptions. Current accounting rules specify that those regulatory assets or regulatory liabilities are to be amortized, based on actuarial studies, over the average remaining service life if the pension plan is active, or the life expectancy of the plan participants if the pension plan is inactive. This amortization expense is one component of pension expense and is recorded in FERC account 926, Employee Pensions and Benefits. The amortization expense is included in cost of service, and the regulatory asset or liability is included in rate base.

Generally accepted accounting principles ("GAAP") pension accounting includes a provision that can trigger a reduction in those regulatory asset or regulatory liability balances if the lump sum benefit payments from a pension plan in a year exceed a certain threshold amount. This threshold amount is based on the Companies' annual pension plan service costs and interest cost. The reduction in the regulatory asset or regulatory liability is referred to as settlement accounting.

In 2018, the Companies reduced their number of employees. Many of those employees chose to take lump sum payments from the pension plan in 2019. As a result, it was determined probable in the second quarter of 2019 that lump sum payments would exceed the threshold amount for Duke Energy Corporation. In the second quarter of 2019, the Companies triggered the settlement accounting provision and booked settlement accounting entries in the second, third, and fourth quarters. The settlement amounts are approximately:

	Settlement Charges			
	Q2	**Q3**	**Q4**	**YTD**
DEP	$16 M	$3 M	$1 M	$20 M
DEC	$43 M	$6 M	$4 M	$53 M
Piedmont	$3M	$3 M	$2 M	$8 M

Requested Relief

In order to continue to match the pension plan expenses with the amounts included in customer rates, the Companies are requesting approval to record the 2019 settlement amounts in regulatory asset and regulatory liability accounts and continue amortizing those amounts in the same way they would be amortized absent this settlement accounting trigger. Absent the requested approval, the Companies will be required to recognize expense or income impacts to their financial statements that are lumpy and irrational and are not aligned with current customer rates.

The Companies also anticipate future settlement accounting amounts because the Companies have closed their pension plans to new employees, which means the threshold amounts for triggering the settlement accounting will continue to decrease. The Companies will submit a separate petition for the requested accounting treatment for those future events. The current request is only related to the 2019 settlement accounting trigger.

Conclusion

The requested accounting order will not preclude the Commission or parties from addressing the reasonableness of DEP's, DEC's or Piedmont's pension plan costs based on future changes in actuarial studies. Therefore, the Companies request permission to record all 2019 pension plan settlement accounting impacts in regulatory asset or regulatory liability accounts and to amortize those assets or liabilities in the same manner they would have been amortized had the settlement accounting not been triggered.

Respectfully submitted this the 17th day of January, 2020.

s/Heather Shirley Smith
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